

Message Text

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ACTION EA-09

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7902

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

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E.O. 11652: N/A

TAGS: EGEN, PINT, RP

SUBJECT: MARCOS ASSESSMENT OF ECONOMIC DEVELOPMENTS

REF: MANILA 13235

SUMMARY

1. DURING MARTIAL LAW DAY SPEECH SEPT 19, PRES MARCOS DEVOTED CONSIDERABLE ATTENTION TO ECONOMIC SUCCESSES OF THE NEW SOCIETY, COMBINING OBSERVATIONS ON QUALITY OF LIFE, ESPECIALLY IN RURAL SECTOR, WITH AN ARRAY OF STATISTICS TO SUPPORT CONTENTION THAT NATION HAS PROSPERED ECONOMICALLY IN PAST THREE YEARS.

2. COMMENTS ON RURAL DEVELOPMENT AND LAND REFORM TEND-

ED TO FUZZ DISTINCTION BETWEEN GOALS AND ACCOMPLISHMENTS: HOWEVER, MARCOS STILL CLEARLY REGARDS RURAL DEVELOPMENT AS PRIORITY AREA.

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3. MARCOS CLAIMED THAT UNEMPLOYMENT HAS BEEN REDUCED

TO 4.1 PERCENT THIS YEAR. WHILE RELIABLE UNEMPLOYMENT FIGURES VIRTUALLY IMPOSSIBLE TO COME BY, WE REGARD THIS FIGURE AS UNREALISTICALLY LOW, PROBABLY LESS THAN HALF ACTUAL LEVEL.

4. FOLLOWING ARE ADDITIONAL AREAS COVERED IN MARCOS SPEECH:

A. GROWTH: CITED FIGURES OF 6.3 PERCENT, 8-10 PERCENT, AND 6 PERCENT FOR FY 73, FY 74 AND FY 75, RESPECTIVELY, ARE REASONABLY ACCURATE.

B. EXTERNAL SECTOR: GROSS INTERNATIONAL RESERVES ACCURATELY STATED AS HAVING INCREASED FROM \$200-\$300 MILLION AT BEGINNING OF MARTIAL LAW TO \$1.17 BILLION TODAY. MARCOS BALANCED THIS WITH DISCUSSION OF CURRENT PROBLEMS, CITING FY 75 IMPORT BILL OF \$3.35 BILLION, TRADE DEFICIT OF \$801 MILLION, AND BALANCE OF PAYMENTS DEFICIT OF \$352 MILLION, AS THE LATEST OFFICIAL FIGURES.

C. INVESTMENT: FIGURES USED IN SPEECH INDICATE THAT INVESTMENT, INCLUDING FOREIGN, HAS RISEN SINCE MARTIAL LAW, BUT THESE ARE NOT EASY TO CHECK, SINCE DEFINITIONS AND TIME PERIODS UNCLEAR. IN GENERAL TERMS, HOWEVER, MARCOS UPBEAT COMMENTS ARE NOT FULLY SUPPORTED BY RECENTLY-PUBLISHED FIGURES WHICH INDICATE THE RATE OF NEW INVESTMENT IN 1975 HAS BEEN DOWN AS COMPARED TO 1974. THIS IS NOT A SURPRISING SITUATION IN VIEW OF GENERALLY SLOWER ECONOMIC ACTIVITY, BUT EMBASSY WILL NEED TO DIG DEEPER IN ORDER TO GIVE MORE PRECISE APPRAISAL OF RESULTS PRESIDENT CITED.

D. INFLATION: GARBLED REMARKS ON THIS SUBJECT APPARENTLY MEANT TO CONVEY SENSE OF PROGRESS IN REDUCING INFLATION RATE. INFLATION IS INDEED SHARPLY DOWN, FROM 34 PERCENT AVERAGE 1974 RATE OVER 1973, TO UNDER 14 PERCENT AVERAGE FIRST-HALF 1975 OVER SAME PERIOD 1974. OFFICIALLY ESTIMATED ANNUAL RATE FOR MAY-AUGUST 1975 IS UNDER 10 PERCENT. THERE IS SOME POLITICAL MILEAGE IN THIS TREND, EVEN THOUGH BOTH THE 1973-74 HIGH AND THE CURRENT LOW ARE PART OF THE PHILIPPINE EXPERIENCE UNDER MARTIAL LAW.

E. PUBLIC FINANCE: STRONGLY IMPLIED THAT PAST BUDGET SURPLUSES WILL CONTINUE: QUOTE SINCE 1973 OUR COUNTRY LIMITED OFFICIAL USE

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HAS ALWAYS HAD A BUDGETARY SURPLUS UNQUOTE. HOWEVER, NO MENTION WAS MADE OF P5 BILLION DEFICIT WHICH HAS BEEN INCORPORATED IN FY 1976 BUDGET.

5. MARCOS ACKNOWLEDGED SERIOUS ECONOMIC PROBLEMS, INCLUDING QUOTE CONSTRICTION OF TRADE MARKETS UNQUOTE, AND NOTED IN PASSING THAT SOLUTION TO WORLDWIDE ECONOMIC PROBLEMS MAY BE FOUND IN QUOTE NEW PATTERN

OF ECONOMIC RELATIONS AMONG THE NATIONS UNQUOTE.

6. ACKNOWLEDGING AIR OF UNREALITY HIS RECITATION OF STATISTICS TENDED TO CREATE, MARCOS ADMITTED THAT QUOTE THE GENERAL SIGNS OF NATIONAL STRENGTH AND PROGRESS SOMEHOW DO NOT YET COMPLETELY TRANSLATE INTO REALITIES SUFFICIENTLY RELEVANT TO THE ORDINARY INDIVIDUAL UNQUOTE. BUILDING ON THIS SOCIAL JUSTICE THEME, HE OBSERVED THAT QUOTE AMONG SOME OF THE POOR, THERE IS STILL THE NAGGING FEAR THAT THEY HAVE, AGAIN, BEEN LEFT BEHIND UNQUOTE, AND NOTED QUOTE THE FEELING THAT ALL THE SACRIFICE IS NOT SHARED BY ALL UNQUOTE. THIS PROVIDED NATURAL LEAD-IN TO HOUSE-CLEANING MESSAGE REPORTED REFTEL.

7. COMMENTS: WHILE MARCOS GUILTY OF SOME HYPERBOLE IN EXTOLLING ECONOMIC SUCCESSES OF MARTIAL LAW REGIME, AND SOME MISLEADING USE OF STATISTICS, ON BALANCE IT IS PERHAPS BEST ONE CAN EXPECT FROM POLITICAL SPEECH IN THIS SITUATION. IN ANY CASE, MOST LISTENERS, GIVEN OVERALL CONTEXT, ARE PROBABLY LESS INTERESTED IN STATISTICS THAN IN ANY SIGNALS AS TO WHERE HE INTENDS TO TAKE PHILIPPINE POLITICAL AND ECONOMIC LIFE, ESPECIALLY CONCERNING GUT ISSUES SUCH AS RATES OF GROWTH AND DISTRIBUTION OF THE FRUITS OF ECONOMIC DEVELOPMENT. WHILE RECOGNIZING THE SACRIFICES OF THE LITTLE MAN, MARCOS MADE NO PROMISES TO HIM BUT CONCENTRATED INSTEAD ON A HORTATORY CALL FOR HIGHER MORALITY AND DEDICATION TO DUTY. THIS CALL AND THE ANNOUNCEMENT OF RE-ORGANIZATIONS THAT FOLLOWED IT ARE OF PREDICTABLY GREAT INTEREST TO THE AVERAGE FILIPINO EVEN THOUGH THEY MAY BE FAIRLY REMOTE FROM NECESSARY LIMITED OFFICIAL USE

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STEPS TO MEET HIS PERCEIVED NEEDS.

8. WHILE IT IS YET TOO EARLY TO ASSESS THE SIGNIFICANCE OF MARCOS CHANGES IN CABINET AND LESSER POSITIONS, THE RESIGNATIONS TO DATE DO NOT INCLUDE ANY OF HIS SENIOR TECHNOCRATS. THIS SUGGESTS STRONGLY THAT THE ESSENTIAL DIRECTION OF THE ECONOMY IS SATISFACTORY TO HIM AND THAT, AT LEAST, HE CONTINUES TO VALUE THE INTERNATIONAL RESPECT AFFORDED CURRENT ECONOMIC LEADERSHIP. END COMMENT: SULLIVAN

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